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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR THE ESTABLISHMENT OF
JUST AND REASONABLE RATES AND
CHARGES DESIGNED TO REALIZE A
REASONABLE RATE OF RETURN ON THE
FAIR VALUE OF ITS OPERATIONS
THROUGHOUT THE STATE OF ARIZONA.
(DOCKET NO. E-01933A-12-0291)

SUBJECT: APPLICATION FOR
AUTHORIZATION FOR PPFAC RATE
ADJUSTMENT.

DOCKET NO. E-01933A-12-0291

DECISION NO. 75512

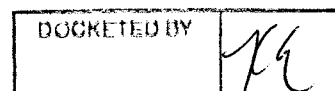
ORDER

Arizona Corporation Commission

DOCKETED

APR 22 2016

Open Meeting
April 12 and 13, 2016
Phoenix, Arizona



BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On October 30, 2015, TEP filed its Preliminary Calculation of the Purchased Power and Fuel Adjustment Clause ("PPFAC") rate, pursuant to Decision No. 73912 (June 27, 2013). On February 1, 2016, TEP filed its updated calculations and a request for authorization for a PPFAC rate adjustment.

3. The PPFAC consists of a Forward Component and a True-up Component. The Forward Component consists of the forecasted fuel and purchased power costs for the year

commencing on April 1 and ending on March 31 of the ensuing year, less the average Base Cost of Fuel and Purchased Power reflected in base rates (\$0.032335 per kWh). The True-up Component reconciles any over-recovered or under-recovered amounts from the preceding PPFAC year to be credited to, or recovered from, customers in the next PPFAC year.

4. Decision No. 73912 requires TEP to file the PPFAC rate for the upcoming year by October 31 of each year and an update to the filing by February 1 of the next year. The new rate goes into effect on April 1, but only after Commission approval.

5. The PPFAC rate charged to TEP customers is currently set at \$0.006820 per kWh, and TEP has calculated a new 2016 rate of \$0.001501 per kWh (consisting of a Forward Component rate of \$0.002782 per kWh and a True-up Component rate of (\$0.001281 per kWh)) for 12 months starting in May 2016.

6. Staff has reviewed the February 1st filing along with TEP's assumptions used in developing its forecast of fuel and purchased power expenses and finds the forecast to be reasonable. Staff has included the bill impacts on residential customers in the following table.

	Current PPFAC Rate	Proposed PPFAC Rate
	Apr. 2015	May. 2016
PPFAC rate	\$0.006820 per kWh	\$0.001501 per kWh
Average kWh usage	800 kWh	800 kWh
PPFAC Charge	\$5.46 per month	\$1.20 per month
Bill impact		(\$4.26 per month)
Average monthly bill	\$97.21	\$92.93

7. Staff has recommended that the Forward Component rate be set at \$0.002782 per kWh and the True-up Component rate be set at (\$0.001281 per kWh), resulting in a PPFAC rate of \$0.001501 per kWh for the period of May 1, 2016, through March 31, 2017.

8. Staff has further recommended that TEP provide notice (in a form acceptable to Staff) of the rate decrease to customers within the bill where the first rate decrease appears.

CONCLUSIONS OF LAW

3. The Commission, having reviewed TEP's application and Staff's Memorandum dated February 20, 2016, concludes that it is in the public interest that TEP's PPFAC rate be set as discussed herein.

ORDER

IT IS FURTHER ORDERED that Tucson Electric Power Company shall provide notice (in a form acceptable to Staff) of the rate decrease to customers within the bill where the first rate decrease appears.

...

IT IS FURTHER ORDERED that Tucson Electric Power Company shall file in Docket Control a revised Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

EXCUSED
COMM. STUMP

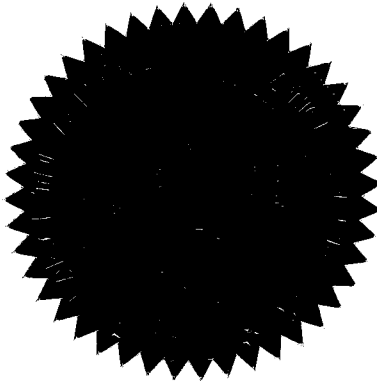
[Signature]
CHAIRMAN

COMMISSIONER

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COMMISSIONER

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COMMISSIONER

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COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 22nd day of April, 2016.

[Signature]
JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:EMV:red/RRM

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